



STATE PROCUREMENT OFFICE  
NOTICE OF REQUEST FOR EXEMPTION  
FROM HRS CHAPTER 103D

13 AUG 20 11:51

STATE PROCUREMENT OFFICE  
STATE OF HAWAII

TO: Chief Procurement Officer

FROM: Department of Transportation  
Name of Requesting Department

Pursuant to HRS § 103D-102(b)(4) and HAR chapter 3-120, the Department requests a procurement exemption for the following:

1. Describe the goods, services or construction:

See Attachment.

2. Vendor/Contractor/Service Provider:

Unknown

3. Amount of Request:

\$ 3,000,000.00 approx.

4. Term of Contract From: August 2013 To: June 2014

5. Prior SPO-007, Procurement Exemption (PE):

6. Explain in detail, why it is not practicable or not advantageous for the department to procure by competitive means:

See Attachment.

7. Explain in detail, the process that will be or was utilized in selecting the vendor/contractor/service provider:

See Attachment.

8. Identify the primary responsible staff person(s) conducting and managing this procurement. (Appropriate delegated procurement authority and completion of mandatory training required).

\*Point of contact (Place asterisk after name of person to contact for additional information).

Name	Division/Agency	Phone Number	e-mail address
Gerald Dang*	HWY/Amin Services	587-2218	gerald.dang@hawaii.gov
Jade Butay*	Deputy Director/DOH-Adm	587-2154	Jade.Butay@hawaii.gov

*All requirements/approvals and internal controls for this expenditure is the responsibility of the department.  
I certify that the information provided above is, to the best of my knowledge, true and correct.*

  
Department Head Signature

AUG 14 2013

Date

**For Chief Procurement Officer Use Only**

Date Notice Posted: 8/20/2013

Inquiries about this request shall be directed to the contact named in No. 8. Submit written objection to this notice to issue an exempt contract within seven calendar days or as otherwise allowed from date notice posted to:

[state.procurement.office@hawaii.gov](mailto:state.procurement.office@hawaii.gov)

Chief Procurement Officer (CPO) Comments:

This request is disapproved as it lacks sufficient justification for an exemption. The department failed to establish a critical and immediate need to secure the services of a consultant to complete the Oracle EBS system. The Federal Highways Administration is aware of the situation and will continue to allow the department to submit billings through the legacy system, until the department has received appropriate certification on the new system. There are numerous vendors who are capable of providing the required services and all should be given opportunity to compete for the contract. Department shall use the appropriate method of procurement (i.e. Professional services) to procure the services needed.

If there are any questions, please contact Bonnie Kahakui at 587-4702, or [bonnie.a.kahakui@hawaii.gov](mailto:bonnie.a.kahakui@hawaii.gov).

☐ Approved

☒ Disapproved

☐ No Action Required

 9/4/2013  
Chief Procurement Officer Signature Date

ATTACHMENT  
NOTICE OF REQUEST FOR EXEMPTION  
FROM HRS CHAPTER 103D

**1. Describe the goods, services or construction:**

Provide consultant services for the development and implementation of the new financial accounting and management system for the Highways Division (HWY) utilizing the Oracle Enterprise Business Suite (EBS). The development and implementation of the Oracle EBS includes the following functional modules.

- General Ledger
- Accounts Receivable
- Accounts Payable
- Projects/Grants
- Fixed Assets
- Purchasing/iProcurement
- Public Sector Budgeting and Budgeting
- Human Capital Management (Human Resources, Payroll, Time and Labor, and Labor Distribution)

**6. Explain in detail, why it is not practicable or not advantageous for the department to procure by competitive means:**

The exemption from Chapter 103D, HRS to procure consultant services to complete the development and implementation of Oracle EBS is critical to the HWY operations. The development and implementation began with an initial consultant contract with Ciber, Inc. with a Notice to Proceed in October, 2008, but has not been able to go-live in production as of this date. The contract was amended on September 18, 2012 which extended the time of performance to complete work on or before June 30, 2013 and HWY to go-live starting July 1, 2013.

The total contract amount with Ciber, Inc. is \$10.9 million with a remaining unpaid balance of \$4.7 million. The DOT has initiated Termination of the initial consultant contract for default. Because the Oracle EBS system is unusable, the HWY has been forced to expend considerable resources to resurrect the legacy HWYAC system as a stop-gap measure to continue the State highways operations.

The Oracle EBS system is required to be certified by the Federal Highways Administration (FHWA). Passing the FHWA certification review is mandatory before FHWA will accept any request for

reimbursement billing from the Oracle EBS system. Prior to the FHWA certification review, FHWA conducted on-site design reviews on April 14 – 19, 2010; February 13 – 17, 2012; and February 26 – 27, 2013. The FHWA provided feedback on the system design including issues that needed to be covered prior to the actual certification review. The actual FHWA certification began on June 17, 2013 to demonstrate six test scenarios that were prepared to meet the FHWA requirements. Although additional follow-up FHWA certification review sessions were held during the month of July 2013, and on August 12 -15, 2013, HWY was unable to complete any of the six demonstration scenarios successfully due to system-related problems and consequently the system did not receive FHWA certification.

Because the system failed to achieve FHWA certification, the HWY is prohibited from using the system to submit reimbursement billings to FHWA. The failure to achieve FHWA certification of the system may jeopardize the processing of FHWA federal-aid reimbursements and result in the loss of Federal funds. The average monthly Federal billing is over \$20,000,000 which is critical to provide cash flow required to support the operations of the HWY program. The inability to bill and receive Federal funds in a timely and consistent manner will result in contract delays and late vendor payments.

The exemption from Chapter 103D, HRS for the consultant services will enable the HWY to immediately hire a consultant to ensure timely completion of the FHWA certification and system go-live. Re-procurement of the consultants is estimated to take up to six months under the normal procurement and contract process which is not practicable. The project cannot afford to lose the momentum which has been built during the last few months in preparation for the FHWA certification. Hence, the focus on completing the project and getting the certification must continue. More delays and interruptions may jeopardize the project completion and take the wind out of the project's sails.

Therefore, the exemption is critical to expeditiously procure a consultant to complete the development and implementation of the Oracle EBS system to continue the HWY's FHWA Federal-aid program which is approximately \$160,000,000 annually. The system is required to meet the required FHWA requirements to record transactions and process the Federal-aid billing reimbursements in an automated, efficient and auditable manner. The loss of any Federal funds will seriously impact the HWY's ability to operate, maintain and construct the State Highway System.

**7. Explain in detail, the process that will be or was utilized in selecting the vendor/contractor/service provider:**

The exemption from Chapter 103D, HRS is required to enable the HWY to obtain the consultant services to complete implementation of the Oracle EBS system and achieve FHWA certification for processing of FHWA federal-aid reimbursements. The consultant selection will be based on the qualifications, knowledge, experience and ability to complete the development and implementation of the Oracle EBS system in the most expeditious manner.